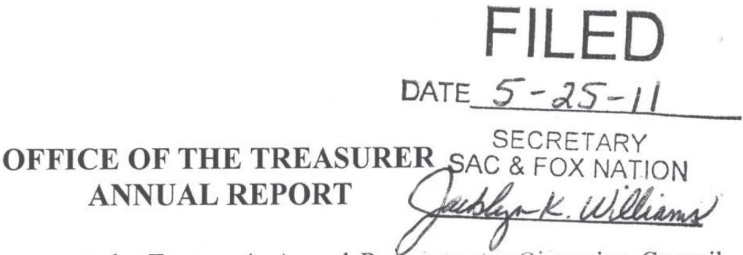


Office of the Treasurer Annual Report -----by Randle Carter



It is my pleasure to present the Treasurer's Annual Report to the Governing Council. This report provides a narrative overview of the various activities of the Treasurer and Business Committee during the past year.

Tribal leaders need your continued support, involvement, suggestions and sage counsel on matters affecting our Sac and Fox community. Our tribe's greatest strength will always continue to be our people who remain active in tribal affairs.

The Bureau of Indian Affairs investment report is included in this report for your review and use.

ANNUAL AUDIT

The annual audits for FY 2006, FY 2007, and FY 2008 were not conducted on a timely, annual basis as required by the federal agencies. When the audits for these years were finally completed, numerous findings and questioned costs of tribal expenditures were found.

In 2009, single year audits for fiscal years 2007 and 2008 were performed on behalf of the Nation. In the single year FY 2007 audit, fifteen (15) audit findings/questioned costs were identified; and in the FY 2008 single year audit, seven (7) audit findings/questioned costs were identified.

The costs to have annual audits performed skyrocketed during FY 2006, FY 2007, and FY 2008. These 3 audits cost the tribe a total of \$624,916.15. The average audit cost ballooned to \$208,305.33 per year.

The FY 2009 annual audit cost the tribe only \$33,085.30. The FY 2010 annual audit has cost the tribe \$30,630.93 to date.

Better and improved financial operations and management practices helped the tribe realize these incredible annual audit cost savings.

Now, for the first time in the last 4 years, tribal audits are being completed on time, and the annual single year audit for FY 2009 has been completed on time and submitted to the federal audit clearinghouse and only five (5) audit findings/questioned costs were identified. The Tribe did not have any disallowed costs. Each annual tribal audit needs to be and will be performed and completed on a timely basis. Tribal leaders have taken the proper and necessary corrective actions to comply with the Schedule of findings and questioned costs as identified in the FY 2009 annual single year audit.

At the present time, the annual single audit for FY 2010 is in progress and will be completed by June 30, 2011. The current auditors have indicated the Sac and Fox Nation will have no significant audit findings and no questioned costs.

As Treasurer, I extend my thanks and appreciation to me fellow tribal leaders, our committees, and our staff for their assistance and support in achieving these positive financial results.

FINANCIAL OPERATIONS

The Treasurer has spent a substantial amount of time researching and looking into the Tribe's financial history, operations, and activities. The approved tribal financial management services policies and procedures are now being followed and enforced. Weaknesses in finances and unauthorized spending outside of approved procedures are being corrected.

The Business Committee officials continue to resolve to take all actions that are necessary and proper to protect tribal assets and provide transparency, accountability, responsibility, and reports of all financial activities. Control and management supervision of spending and expenses is maintained through prior Business Committee approval of budgets and budget modifications.

All proper bills and invoices for payment are paid in a timely manner. All financial reports are provided on a monthly basis.

We have been successful in reducing wasteful spending and have increased revenues coming in to the Tribe. We are continuing our efforts to improve tribal programs and services to our tribal members.

INVESTMENTS

A significant and important amount of time and energy continues to be devoted to the review, analysis, and enhancement of the tribe's investment portfolio. Constant and diligent review of the performance of the various investment accounts deserve such attention because of its important role in maintaining and improving tribal finance and operations.

On September 20, 2008, the Business Committee along with CIM Wealth Advisor Broker Brad Chumley presented a "Question and Answer" meeting at the Sac and Fox Community Building, Tribal Capitol Complex, Stroud, Oklahoma explaining the current status of the tribe's investments. In March, 2010, the Business Committee began to question the information provided at this meeting which, in turn, required the services of Investment Recovery Associates (Investor Advocates).

In March, 2010, Mr. Chumley abruptly resigned as broker for the Sac and Fox Nation investment accounts and the tribe's 401k employee retirement plan. The Business Committee finalized agreements with Burns Advisory Group, the new replacement fiduciary advisor for the tribe's financial investments.

The Business Committee on March 23, 2010, by tribal resolution SF-10-122, authorized an agreement with Investment Recovery Associates, PLLC (aka Investor Advocates) for the purpose of the investigation and recovery of potential unanticipated losses of invested funds. The Business Committee has also approved the reconciliation of tribal investment accounts with Investor Advocates for the purposes to address all of the tribe's investment accounts and to address the concerns of the Department of Housing and Urban Development and potentially other federal agencies. Investor Advocates will provide an additional informational handouts to Governing Council attendees explaining their services. At the present time, Investor Advocates has filed a lawsuit in tribal court on the tribe's behalf to recover unanticipated losses of invested funds from previous financial advisors and their respective companies.

CLAIMS JUDGEMENT FUNDS

As of March 31, 2011, the government meager overnighter rate of 2/10 of 1% (.002) is being earned on the tribe's claims judgment funds, proceeds of labor, and tribal programs as invested by the fiduciary trust officer with the United States Department of the Interior Office of the Special Trustee for American Indians.

REPORT ON CASINO OPERATIONS

In late August, 2010, the Business Committee was forced to address a crisis affecting our tribal casino operations. This report covers the casino activities for the period between August and December, 2010. Several corrective actions and measures have been taken to improve the Sac and Fox Casino operations.

On the midafternoon of Friday, August 27, 2010, Sac and Fox Principal Chief George Thurman was notified and informed that the Sac and Fox Nation Gaming Commission had taken action to suspend the license of the Sac and Fox Business Enterprise Board Chairman for good cause, rendering the Sac and Fox Business Enterprise Board member unable to perform the required duties as a member of the Sac and Fox Business Enterprises Board, which oversees all tribal gaming operations.

Principal Chief George Thurman called an Emergency Special Business Committee meeting at 4:28 p.m. on Friday, August 27, 2010. The purpose of the meeting was to deal with the emergency situation facing the management and leadership of tribal gaming operations.

The Sac and Fox Nation Business Enterprises Act of 2007, as amended, at Section 201, provides that three (3) persons shall serve on the Board of Directors. The suspension of the gaming license of the Chairman of the Board of Directors, member position #1, coupled with the immediate resignation of Board of Directors member position #3, and the subsequent resignation of Board of Directors member position #2, created a crisis situation in tribal gaming with a lack of quorum to conduct business and manage all tribal gaming operations. The gaming operations had lost their leadership.

The action of the Sac and Fox Gaming Commission suspending the gaming license of Board of Directors member position #1 rendered Board of Directors member position #1 unable and incapable of performing tribal gaming management duties and responsibilities as required under federal and tribal law. Federal law, as well as tribal law, requires that all key personnel, including management, and all of the Business Enterprise Board members, undergo and successfully complete a thorough federal and tribal background investigation and receive a tribal gaming license.

The Business Committee took emergency action to amend the Sac and Fox Nation Business Enterprises Act by tribal resolution SF-10-230, by amending Chapter Two, Subchapter A, Section 204(A) of the Act to read as "A Board Member may be a member or non-member of the Sac and Fox Nation, but shall not be a member of the Sac and Fox Nation Business Committee **except for temporary appointments not to exceed one hundred twenty (120) days**, member of the Grievance Committee, or a Judicial Officer of the Sac and Fox Nation."

Without a Business Enterprise Board present to oversee and manage tribal casino operations, the Business Committee was charged with the management responsibility of casino operations.

The term of the Board of Director position #1 had previously expired and the Business Committee, under tribal law, has the lawful authority to make an appointment when an appointee's term of office has expired.

The Business Committee took emergency action and appointed George Thurman to fill the vacancy created in Position #3 of the Board of Directors and appointed Randle Carter to fill the vacancy created in the expired term of Position #1 of the Board of Directors, for a limited, four-month period, thereby averting lack of casino management authority and avoiding a closure of all tribal gaming operations.

George Thurman and Randle Carter had, in prior years, successfully undergone background checks and had received tribal gaming licenses.

George Thurman and I began an initial assessment, inventory, and investigation regarding casino management operations. After receiving confirmation from the Tribal Secretary, it was discovered that the previous Board of Directors failed to follow tribal law by failing to provide a copy of their complete written annual report to the Sac and Fox Business Committee, in particular Section 207(C) of the Sac and Fox Nation Business Enterprises Act of 2007, in failing to provide in part, " **the Directors shall present a complete written annual report to the Members of the Corporation at their annual meeting, and shall provide a copy of that report to the Sac and Fox Nation's Business Committee** ", and also failed to follow tribal law, in particular Section 211(C) of the Sac and Fox Nation Business Enterprises Act of 2007, "**One copy of the record of the meetings and actions taken by the Board of Directors shall be filed in the Office of the Secretary of the Sac and Fox Nation within ten (10) days of each meeting.**"

In essence, George Thurman and I had no written records or documentation of the meetings or actions of the previous Board of Directors regarding casino operations. Nor did we have any written casino policies regarding casino credit card usage and procedures or policies regarding casino management. The only policies provided to George Thurman and me were a short one-page policy regarding casino procurement. Also, the three casinos were operating without Board-approved fiscal year budgets.

On August 27, 2010, the Sac and Fox Gaming Commission also suspended the gaming license of the General Manager for cause. On August 28, 2010, the new Board of Directors held an emergency meeting and selected an Interim General Manager for the casinos and reconfirmed the interim general manager on the September 1, 2010 meeting of the Sauk Business Enterprises Board. During the month of September, 2010, the Sauk Business Enterprises Board of Directors took action to (1) direct the casino accounting firm to reserve approximately \$1.5 million as set aside financial liability for the proposed tribal commercial lease for casino properties and set aside \$45,500 per month beginning October, 2008 as originally set aside by the previous Enterprise Board, (2) terminate the employment status of the former general manager, and (3) terminate the legal services of the law firm representing the Sauk Business Enterprises Board. It was during this time period, the new Board members discovered that the previous Board Chairman had signed a loan agreement with a private gaming machine vendor for a total amount of \$4,000,000.00 for 36 monthly loan installments of \$125,345.46 each to construct the new Sac and Fox Nation Casino in Shawnee, Oklahoma. This loan agreement was executed on August 17, 2007 by the Chairman of the Board and the private gaming machine vendor officials. The percentage rate for this loan to construct the casino is a fixed rate of 8% per annum. As of January 1, 2011, a balance of \$734,831.76 is remaining on the loan from the private gaming machine vendor. Unfortunately, the previous Board Chairman had signed a lease agreement with a private gaming machine vendor for their gaming machines for the private gaming machine vendor to furnish and install 300 gaming machines or fifty percent (50 %) of the gaming machines on the facility floor whichever is greater, related center server(s), and other equipment necessary for the operation of the gaming machines to the Shawnee Casino. This is basically to occupy half of the floor space of the Shawnee Casino location.

Also, it was brought to the Board of Directors' attention by the casino's accounting firm that still another loan, which was interest-free, was given by the Sac and Fox Nation Casino - Shawnee to finance the construction of the Sac and Fox Nation Casino - Stroud in a total amount of \$2,494,943.23 with no paper documentation. As of October 31, 2010, a balance of approximately \$804,007.40 remains on scheduled payments. Monthly scheduled payments of \$75,000.00 are being made to repay the loan given to the Stroud Casino from the Shawnee Casino. According to the casino's accounting firm, it is anticipated that both loans will be repaid in full by June 1, 2011.

During the Sauk Business Enterprise Board meetings held in October, 2010, the Board of Directors confirmed the FY 2010 final net gaming revenue distribution as reported by the casino operation's accounting firm in the total amount of \$9,835,247.00 and forward the final FY 2010 net gaming revenue distribution to the elected officials of the Sac and Fox Nation immediately, and authorized the change in Trustee in the Sac and Fox Nation Casino's 401(k) plan.

During the Sauk Business Enterprise Board meetings held in November, 2010, the Board of Directors approved three (3) operating budgets for each of the Sac and Fox Nation Casinos as presented by the casino's accounting firm. All three operating budgets were based on last year's actual expenditures. This action was taken to give the new Sauk Business Enterprise Board members a starting point for proposed expenditures for FY 2011 due to the fact that the casinos were operating without any approved budgets from any Enterprise Board of Directors since 2006. There were no controls of spending and no approved plans of spending for the casinos.

With Business Committee approval, the interim Enterprise Board of Directors hired the Tribal Attorney to assist the Board at least until a new Sauk Business Enterprise Board of Directors came on board by December 25, 2010 (because the appointments were to expire 120 days from the date of appointment of George Thurman and Randle Carter by tribal resolutions).

The two interim Enterprise Board of Directors discovered the widespread, flagrant and unauthorized misuse of tribal casino credit cards by former Board members and certain casino employees as reported by the Sac and Fox Gaming Commission. Unauthorized transactions, improper activities, and improper actions of certain persons were reported to federal and tribal authorities for further investigation and action.

The Sauk Business Enterprises Board of Directors approved a new, strict Casino policy on credit card issuance and usage procedures and the Casino credit card issuance form as presented by the Sauk Business Enterprises Secretary. This was necessary because the Casinos did not have an approved credit card issuance and usage procedure policy in place. The Board of Directors also took action to extend the interim general manager's term of office until he is replaced by the new Sauk Business Enterprises Board of Directors appointed on December 21, 2010.

Sac and Fox tribal members George Thurman and Randle Carter did not request or receive additional compensation for taking on additional duties for serving as the Enterprise Board of Directors for the 4-month period.

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